



**CALIFORNIA STATE
PUBLIC WORKS BOARD**

EDMUND G. BROWN JR. • GOVERNOR

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STATE PUBLIC WORKS BOARD

September 13, 2013

MINUTES

PRESENT:

Ms. Eraina Ortega, Chief Deputy Director, Department of Finance
Mr. Esteban Almanza, Chief Deputy Director, Department of General Services
Mr. Malcolm Dougherty, Director, Department of Transportation
Mr. Jim Lombard, Chief Administrative Officer, State Controller's Office
Mr. Blake Fowler, Director, Public Finance Division, State Treasurer's Office

CALL TO ORDER AND ROLL CALL:

Ms. Eraina Ortega, Chairperson of the Board called the meeting to order at 10:00 a.m.
Ms. Manerva Cole, Executive Assistant for the Board, called the roll. A quorum was established.

BOND ITEMS:

The first order of business was the Bond Items. Mr. Greg Rogers, Executive Director of the Board, presented the bond items to the Board.

Mr. Rogers informed the Board that there were 5 Bond Items listed on the agenda. Bond Items # 1, 2, & 3 were being presented for the Board to consider for the upcoming October bond sale.

Mr. Rogers stated if the three bond items are approved by the Board, the first three bond items will be priced October 1st and October 2nd, and close October 9th. The total estimated par amount of the bonds to be issued is \$490.3 million, and the proceeds would fund 2 Jail projects, 1 Juvenile facility, 5 Department of Corrections Health Care Facility Improvement Projects, and 3 California State University projects.

The Board was asked to approve and adopt 3 Resolutions, one for each of series of bonds being issued. These resolutions, if approved and adopted, authorize the issuance and sale of the specified Series of Bonds of the State Public Works Board for the specified projects. Additionally, the Resolutions approve:

1. the form of and authorize the execution of the 120th, 121st Supplemental Indentures to the Board's Master Indenture, and a form of an Indenture and first supplemental indenture for Bond Item #2,
2. the form of and authorize the execution of the Site and Facility Leases,
3. the form of and authorize the execution of the Continuing Disclosure Agreements,
4. the form of and authorize the execution of a Bond Purchase Agreement,
5. the form of and authorize the delivery of a Preliminary Official Statement and authorize the delivery of an Official Statement,
6. the form of and consent to facility subleases between CDCR and the three counties for Bond Item #1
7. the form of and authorize the execution of the form of Project delivery agreement for Bond Item #3, and
8. other related actions in connection with the issuance, sale and delivery of said revenue bonds.

Mr. Rogers noted the Appendix A, which is a component of the Preliminary Official Statement, is from the General Obligation Bond refunding sale that closed earlier in the week. The Appendix A due diligence meeting for the Board's sale will occur on Thursday of next week, and staff are confident the Appendix A from the just completed GO Bond sale will be substantially reflective of the Appendix A included in the Board's Preliminary Official Statement. Mr. Rogers further noted that the project due diligence meeting for the projects included in the Boards sale would not occur until Thursday (9/19/13), and staff are confident the information included in the Preliminary Official Statement is accurate. Forms of these documents that are listed in the three Resolutions for approval were delivered to Board members a few days prior for review

There were no questions on this general information, we moved onto each bond item.

BOND ITEM #1: Mr. Rogers noted if approved, authorizes the issuance and sale of the State Public Works Board 2013 Series F Bonds to fund various Correctional Facilities. Specifically, the bonds would fund the construction of the Calaveras Jail Facility, the San Bernardino Jail Facility, and the Shasta Juvenile Facility.

Approval and adoption of the Resolution for Bond Item #1 also approves the form of and authorizes the execution of the 120th Supplemental Indenture to the Board's Master Indenture as well as the other forms previously mentioned. The estimated PAR value of the 2013 Series F bonds is \$144.7 million, with a not to exceed PAR of \$163.4 million and a not to exceed True Interest Cost of 6.498%.

Staff recommended adoption and approval of Bond Item #1.

There were no questions or comments from the Board or the public.

A motion was made by Mr. Dougherty and seconded by Mr. Lombard to approve Bond Item #1.

Ms. Cole called a roll:

Ayes

Ms. Eraina Ortega, Chief Deputy Director, Department of Finance

Mr. Esteban Almanza, Chief Deputy Director, Department of General Services

Mr. Malcolm Dougherty, Director, Department of Transportation

Mr. Jim Lombard, Chief Administrative Officer, State Controller's Office

Mr. Blake Fowler, Director, Public Finance Division, State Treasurer's Office

Noes

None

Bond Item #1 was approved by a 5-0 vote.

BOND ITEM #2: Mr. Rogers reported if approved, authorizes the issuance and sale of the State Public Works Board 2013 Series G Bonds, Wasco State Prison: Various Buildings, and proceeds from the sale will fund various Correctional Facilities. Specifically, the bonds would fund five Department of Corrections Healthcare Facility Improvement Projects: (1) California Medical Facility located in Solano County, (2) California State Prison—Solano, (3) Richard J. Donovan Correctional Facility, located in San Diego County (4) California Institute for Women, located in San Bernardino

County, and (5) the California Institution for Men, located in San Bernardino County. The security for the bonds is various housing units at Wasco State Prison.

Approval and adoption of the Resolution for Bond Item #2 also approves the form of and authorizes the execution of an indenture, between the State Treasurer and the Board, and the execution of a First Supplemental Indenture which will incorporate the 2013G Bonds into the Master Indenture pooled reserve account, as well as the other forms previously mentioned. The estimated PAR value of the 2013 Series G bonds is \$173.1 million, with a not to exceed PAR of \$177.0 million and a not to exceed True Interest Cost of 6.488%.

Staff recommended adoption and approval of Bond Item #2.

There were no questions or comments from the Board or the public.

A motion was made by Mr. Dougherty and seconded by Mr. Almanza to approve Bond Item #2.

Ms. Cole called a roll:

Ayes

Ms. Eraina Ortega, Chief Deputy Director, Department of Finance

Mr. Esteban Almanza, Chief Deputy Director, Department of General Services

Mr. Malcolm Dougherty, Director, Department of Transportation

Mr. Jim Lombard, Chief Administrative Officer, State Controller's Office

Mr. Blake Fowler, Director, Public Finance Division, State Treasurer's Office

Noes

None

Bond Item #2 was approved by a 5-0 vote.

BOND ITEM #3: Mr. Rogers reported, if approved, authorizes the issuance and sale of the State Public Works Board 2013 Series H Bonds to fund Various California State University Projects. Specifically, the bonds would fund the following three California State University projects: (1) Taylor II Replacement Building, located at the Chico campus, (2) West Hall, located at the Channel Islands campus, and (3) Academic Building II, located at the Monterey Bay campus.

Approval and adoption of the Resolution for Bond Item #3 also approves the form of and authorizes the execution of the 121st Supplemental Indenture to the Board's Master Indenture, a project delivery agreement for each project, as well as the other forms previously mentioned. The estimated PAR value of the 2013 Series H bonds is \$172.5 million, with a not to exceed PAR of \$205.1 million and a not to exceed True Interest Cost of 6.493%.

Staff recommended adoption and approval of Bond Item #3.

There were no questions or comments from the Board or the public.

A motion was made by Mr. Lombard and seconded by Mr. Dougherty to approve Bond Item #3.

Ms. Cole called a roll:

Ayes

Ms. Eraina Ortega, Chief Deputy Director, Department of Finance

Mr. Esteban Almanza, Chief Deputy Director, Department of General Services

Mr. Malcolm Dougherty, Director, Department of Transportation

Mr. Jim Lombard, Chief Administrative Officer, State Controller's Office

Mr. Blake Fowler, Director, Public Finance Division, State Treasurer's Office

Noes

None

Bond Item #3 was approved by a 5-0 vote.

Bond Item #4: Mr. Rogers reported the next Bond Item was for the Department of Corrections and Rehabilitation's (CDCR), Juvenile Facility Project, in Riverside County. The proposed action is to consider adoption of a resolution to: 1) authorize actions to be taken to provide for interim financing and declare the official intent of the Board to reimburse certain capital expenditures from the Public Buildings Construction Fund from the proceeds of the sale of bonds; 2) authorize the sale of lease revenue bonds; 3) authorize the execution of a Project Delivery and Construction Agreement between the County of Riverside, CDCR, Board of State and Community Corrections and the Board; and 4) approve other related actions in connection with the authorization, issuance, sale, and delivery of said revenue bonds.

This project will provide \$24.7 million of state financing to demolish an existing 20,000 square foot (sf) building and design and construct a new, approximately 60,600 sf single story building on approximately 5.3± acres of a greater 50± acres of county owned land located in the city of Riverside. This facility will provide housing, program, healthcare, custody, administrative, and support services space to address the needs of approximately 106 high-risk juvenile offenders.

Section 1973 of the Welfare and Institutions Code appropriates \$300,000,000 lease revenue bond financing authority to partially finance the construction of local youthful offender rehabilitative facilities. Award of this funding to individual counties is administered through the Board of State and Community Corrections (BSCC). The BSCC has conditionally awarded \$24,698,000 from this appropriation to Riverside County for this project. All of the acquisition/study and design costs and any construction costs in addition to this award amount will be paid by the county. The total project cost is \$39.4 million.

Staff recommended adoption of the resolution.

There were no questions or comments from the Board or the public.

A motion was made by Mr. Lombard and seconded by Mr. Almanza to approve Bond Item #4.

Ms. Cole called a roll:

Ayes

Ms. Eraina Ortega, Chief Deputy Director, Department of Finance

Mr. Esteban Almanza, Chief Deputy Director, Department of General Services

Mr. Malcolm Dougherty, Director, Department of Transportation

Mr. Jim Lombard, Chief Administrative Officer, State Controller's Office

Mr. Blake Fowler, Director, Public Finance Division, State Treasurer's Office

Noes

None

Bond Item #4 was approved by a 5-0 vote.

Bond Item #5: was for the University of California, various series of the Boards University of California bonds.

Mr. Rogers stated if approved, the requested action would adopt a resolution authorizing actions to be taken to assist The Regents in refunding and/or defeasing all or a portion of the Board's outstanding bonds issued to fund various University of California projects. This action would include approving the form of and authorizing the execution of a Restructuring Agreement, form of an Escrow Agreement, form of a Termination Agreement, form of an Amendment to Facility Lease, and other actions as may be necessary.

Mr. Rogers described the background for this item, noting that the Board currently has outstanding, as of June 30, 2013, approximately \$2.4 billion of Bonds that were issued on behalf of The Regents to fund their projects that are eligible for refunding and/or defeasance. Section 92493 et. seq. of the Education Code was enacted as part of the 2013 Budget Act and among other things, authorizes The Regents to pledge their General Fund support appropriation, along with its other revenues, towards the issuance of UC revenue bonds to fund their capital outlay projects versus relying on the State Public Works Board to finance UC capital outlay projects. This law also authorizes the Regents to issue their bonds to fund the debt service associated with refunding, defeasing, or retiring State Public Works Board lease revenue bonds.

The Regents, at their July meeting, authorized to employ the university's general revenue bond credit to retire State Public Works Board bonds issued on behalf of the UC to fund UC capital outlay projects.

Board staff and bond counsels, including Treasurer's Office staff, have been working closely over the past several months with UC staff and their counsels to assist UC in accomplishing a refunding and/or defeasance of all or a portion of the Board's bonds issued on behalf of UC. The Regents desire to refund and/or defease all of the Board's bonds with proceeds from its schedule bond sale later this month.

To effectuate The Regents refunding and/or defeasance of the Board's outstanding bonds, the Board and The Regents have developed a Restructuring Agreement. The Restructuring Agreement clarifies the roles and responsibilities of each party during this transaction, including, but not limited to: the application of The Regents general bond proceeds, establishment and maintenance of escrow funds, termination of leases, the release and application of funds relating to the Board's bond proceeds, general tax compliance matters, IRS audit responsibilities, private business and use compliance, and reimbursement of administrative expenses. In addition, an Escrow Agreement, Termination Agreement, and an Amendment to a Facility Lease are also required.

The Restructuring Agreement and the other required documents will ensure the Board is compliant the relevant tax rules, responsibilities and procedures for tax compliance purposes and

ensure the appropriate use of existing Board UC bond proceeds. Mr. Rogers also noted that the Board's bond and tax counsel— along with staff— were present to address any questions the members may have, and that staff recommend adoption of the resolution.

Mr. Rogers addressed Board member questions related to the saving of any money and the impact to the state given the shift in the debt from the State Public Works Board to the Regents. There were no further questions or comments from the Board or the public.

A motion was made by Mr. Dougherty and seconded by Mr. Almanza to approve Bond Item #5.

Ms. Cole called a roll:

Ayes

Ms. Eraina Ortega, Chief Deputy Director, Department of Finance
Mr. Esteban Almanza, Chief Deputy Director, Department of General Services
Mr. Malcolm Dougherty, Director, Department of Transportation
Mr. Jim Lombard, Chief Administrative Officer, State Controller's Office
Mr. Blake Fowler, Director, Public Finance Division, State Treasurer's Office

Noes

None

Bond Item #5 was approved by a 5-0 vote.

With the bond items concluded, the State Treasurer's Office and State Controller's representative were excused.

Ms. Ortega noted the minutes from the August 9th will be presented to the Board for approval at the next month's meeting.

CONSENT ITEMS:

Ms. Ortega informed the Board there were 11 Consent Items, and Consent Item 11 will be pulled from the Consent Calendar and considered separately. Mr. Rogers presented the Consent Items 1 through 10. In summary, these items were proposed:

- 1 request to consent to 11 individual subordination, non-disturbance, and Attornment agreements as specified in Consent Item 1.
- 1 request to authorize the acquisition of real property through the acceptance of a no-cost acquisition [Item 2]
- 1 request to authorize acquisition [Item 3]
- 1 request to approve preliminary plans [Item 4]
- 4 requests to establish scope, cost, and schedule [Items 5, 6, 7 & 8]
- 1 request to consider recognizing revised project costs [item 9]
- 1 request to approve preliminary plans and recognize revised project costs [Item 10]

Staff recommended approval of the revise Consent calendar Items 1 through 10.

There were no questions or comments from the Board or the public.

A motion was made by Mr. Almanza and seconded by Mr. Dougherty to approve Consent Calendar Items 1 through 10. The Consent Items were approved by a 3-0 vote.

ACTION ON CONSENT ITEM #11

Mr. Rogers presented what was Consent Item #11 on the Agenda, and if approved would authorize execution of a project delivery and construction agreement, consent to a ground lease, consent to an easement agreement for grants of access, utilities, and repairs, and consent to a right of entry for construction and operation. Mr. Stephen Benson, Deputy Director to the Board, presented the item to the Board, and recommended adopting a modified staff recommendation by adopting the form of the agreements in order to incorporate some changes staff have agreed to make to the documents based on concerns raised by the County of San Diego.

Mr. John Moffett, representing San Diego County (County), presented a letter and conveyed the counties counsel appreciation to the Board staff for their assistance in resolving the final issues related to the agreements. Mr. Dougherty asked if the San Diego County was comfortable with the revised recommendation to which Mr. Moffett affirmed.

There were no further questions or comments from the Board or Public.

A motion was made by Mr. Dougherty and seconded by Mr. Almanza to approve the modified staff recommendation which was to adopt the form of the agreements in order to incorporate some changes staff have agreed to make to the documents for Item #11. Item #11 was approved by a 3-0 vote.

OTHER BUSINESS and RERPORTABLES:

Mr. Rogers informed the Board there were two Reportables this month:

- California Department of Parks and Recreation, Oceano Dunes State Vehicular Recreation Area, Visitors Center and Equipment Storage, San Luis Obispo County:
 - Approved an augmentation, in the amount of \$201,000
- California Department of Parks and Recreation, San Elijo State Park, Replace Main Lifeguard Tower, San Diego County
 - Approved an augmentation, in the amount of \$164,000

NEXT MEETING:

Mr. Rogers stated the next State Public Works Board meeting is scheduled for **October 18th, 2013, at 10:00 a.m., at the State Capitol, in Room 113.**

The meeting was adjourned at 10:10 a.m.